

NORWOOD TOWNSHIP
CHARLEVOIX COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2008

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Norwood Township

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MASON & KAMMERMANN, P.C.

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INDEPENDENT AUDITOR'S REPORT

November 28, 2008

To the Township Board of Trustees of
Norwood Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwood Township of Charlevoix County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Norwood Township as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mason & Kammermann, P.C.

Norwood Township

Management's Discussion & Analysis November 28, 2008

This section of Norwood Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2008.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Norwood Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Norwood Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Norwood Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Norwood Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Norwood Township uses two categories of funds, which are governmental and fiduciary funds.

Norwood Township

Management's Discussion & Analysis November 28, 2008

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Norwood Township maintains three major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road and Emergency Funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources collected and held for the benefit of the Township and other governmental units outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

Norwood Township

Management's Discussion & Analysis November 28, 2008

Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of March 31, 2008 and 2006:

Norwood Township Statement of Net Assets		
	Governmental Activities	
	3/31/08	3/31/06
<u>Assets</u>		
Current Assets	\$ 368,365	\$ 292,107
Noncurrent Assets		
Capital Assets, net	<u>28,657</u>	<u>29,826</u>
Total Assets	397,022	321,933
<u>Liabilities and Net Assets</u>		
Current Liabilities	<u>-</u>	<u>5,158</u>
Net Assets		
Invested in Capital Assets, net	28,657	29,826
Restricted	93,154	63,991
Unrestricted	<u>275,211</u>	<u>222,958</u>
Total Net Assets	<u>\$ 397,022</u>	<u>\$ 316,775</u>

The total governmental net assets are \$397,022 for the Township. The Township has \$275,211 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Norwood Township

Management's Discussion & Analysis November 28, 2008

The following table shows how activities affected changes in net assets during the fiscal year ended in 2008 compared with 2006.

Changes in Net Assets For The Years Ended March 31, 2008 and 2006

	Governmental Activities	
	3/31/08	3/31/06
Revenues:		
Program Revenues		
Charges for services	\$ 2,990	\$ 1,615
General Revenues:		
Property taxes	115,823	100,211
State shared revenues	49,124	48,222
Administrative fees	13,233	15,236
Interest	13,679	6,830
Reimbursements	229	1,420
Other	2,939	5,273
Total revenues	198,017	178,807
Expenses:		
Legislative	37,547	49,457
General government	38,045	32,330
Public safety	18,101	16,339
Public works	72,387	35,987
Health and welfare	4,525	4,085
Community and economic development	24,099	9,952
Recreation and culture	1,533	1,094
Total expenses	196,237	149,244
Change in net assets	\$ 1,780	\$ 29,563

Revenue sources and changes

Total revenue from governmental activities totaled \$198,017 for 2008. Revenue from governmental activities consists primarily of, 58.49% from property taxes, 24.81% from state revenue sharing, 6.91% from interest, and 6.68% from administrative fees. The millage rate for general operations was .9573 mills, while the rates for the road and emergency funds were .9835 and .4917, respectively.

Norwood Township

Management's Discussion & Analysis November 28, 2008

Expenses

Using the full accrual basis of accounting, the Township spent \$196,237 on governmental activities for 2008. This equates to 36.89% on public works, 19.39% on general government, 19.13% on legislative activities, 12.28% on community and economic development, 9.22% on public safety, 2.31% on health and welfare, and 0.78% on recreation and culture.

Financial Analysis of the Township's Funds

At March 31, 2008, the Township's governmental funds reported a combined cash of \$357,748, which is approximately \$79,687 more than last year.

The General Fund had a \$18,411 increase in its fund balance this year.

The Road Fund had a \$17,677 decrease in its fund balance this year.

The Emergency Fund had a \$1,580 increase in its fund balance this year.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on April 1. The Board prior to the close of the year must approve any amendments made to the operating budget on March 31.

The following schedule shows a comparison of the original fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance Over (Under)
Total revenues	\$ 122,816	\$ 130,600	\$ 125,966	\$ (4,634)
Total expenditures	408,037	408,037	107,555	(300,482)
Net Change in Fund Balance	<u>\$ (285,221)</u>	<u>\$ (277,437)</u>	<u>\$ 18,411</u>	<u>\$ 295,848</u>

Norwood Township

Management's Discussion & Analysis November 28, 2008

The Township's budgets are prepared in accordance with Michigan Law. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Capital Assets

At March 31, 2008, the Township has capital assets, net of accumulated depreciation totaling \$28,657.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and improvements, buildings and improvements, road signs and equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had no outstanding long-term debt for governmental activities as of March 31, 2008.

Requests for Information

This financial report is designed to provide a general overview of Norwood Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Norwood Township, 19759 Lake Street, Charlevoix, Michigan 49720.

Norwood Township

Statement of Net Assets March 31, 2008

	Governmental Activities
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 357,748
Due from other funds	1,025
Taxes receivable	9,592
	<hr/>
Total current assets	368,365
Noncurrent Assets	
Capital assets	58,911
Less accumulated depreciation	(30,254)
	<hr/>
Total noncurrent assets	28,657
	<hr/>
Total assets	397,022
	<hr/>
<u>Net Assets</u>	
Net Assets	
Invested in capital assets	28,657
Restricted	93,154
Unrestricted	275,211
	<hr/>
Total net assets	\$ 397,022
	<hr/>

The accompanying notes are a part of the financial statements.

Norwood Township

Statement of Activities For The Year Ended March 31, 2008

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
		Charges for	Operating Grants &	Capital Grants &	
	Expenses	Services	Contributions	Contributions	Total
Governmental Activities					
Legislative	\$ 37,547	\$ -	\$ -	\$ -	\$ (37,547)
General government	38,045	-	-	-	(38,045)
Public safety	18,101	-	-	-	(18,101)
Public works	72,387	-	-	-	(72,387)
Health and welfare	4,525	-	-	-	(4,525)
Community and economic development	24,099	2,990	-	-	(21,109)
Recreation and culture	1,533	-	-	-	(1,533)
Total Government Activities	<u>\$ 196,237</u>	<u>\$ 2,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(193,247)</u>
General Revenues:					
Property taxes					115,823
Administrative fees					13,233
State shared revenues					49,124
Interest					13,679
Reimbursements					229
Other					2,939
Total general revenues					<u>195,027</u>
Change in Net Assets					1,780
Net Assets - April 1, 2007					<u>395,242</u>
Net Assets - March 31, 2008					<u>\$ 397,022</u>

The accompanying notes are a part of the financial statements.

Norwood Township

Governmental Funds Balance Sheet March 31, 2008

<u>Assets</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Emergency Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 270,181	\$ 66,228	\$ 21,339	\$ 357,748
Due from other funds	1,025	-	-	1,025
Taxes receivable	4,005	3,725	1,862	9,592
Total assets	<u>\$ 275,211</u>	<u>\$ 69,953</u>	<u>\$ 23,201</u>	<u>\$ 368,365</u>
 <u>Fund Balances</u>				
Fund Balances:				
Unrestricted	\$ 275,211	\$ -	\$ -	\$ 275,211
Restricted	-	69,953	23,201	93,154
Total fund balances	<u>\$ 275,211</u>	<u>\$ 69,953</u>	<u>\$ 23,201</u>	<u>\$ 368,365</u>

The accompanying notes are a part of the financial statements.

Norwood Township

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2008

Total Fund Balances - Governmental Funds	\$	368,365
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet.

Cost of capital assets	58,911
Accumulated depreciation	<u>(30,254)</u>

Total Net Assets - Governmental Activities	<u>\$</u>	<u>397,022</u>
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The accompanying notes are a part of the financial statements.

Norwood Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2008

	General Fund	Road Fund	Emergency Fund	Total
Revenues:				
Property taxes	\$ 46,561	\$ 46,177	\$ 23,085	\$ 115,823
Administrative fees	13,233	-	-	13,233
State shared revenue	49,124	-	-	49,124
Licenses and permits	2,990	-	-	2,990
Interest	10,890	2,440	349	13,679
Reimbursements	229	-	-	229
Other	2,939	-	-	2,939
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	125,966	48,617	23,434	198,017
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Legislative	37,547	-	-	37,547
General government	37,511	-	-	37,511
Public safety	772	-	17,329	18,101
Public works	6,093	66,294	-	72,387
Health and welfare	-	-	4,525	4,525
Community and economic development	24,099	-	-	24,099
Recreation and culture	1,533	-	-	1,533
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	107,555	66,294	21,854	195,703
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	18,411	(17,677)	1,580	2,314
Fund Balances - April 1, 2007	256,800	87,630	21,621	366,051
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - March 31, 2008	<u>\$ 275,211</u>	<u>\$ 69,953</u>	<u>\$ 23,201</u>	<u>\$ 368,365</u>

The accompanying notes are a part of the financial statements.

Norwood Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	2,314
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Amounts reported for governmental activities in the statement
of activities are different because:

Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements		<u>(534)</u>
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Changes in Net Assets - Governmental Activities	\$	<u><u>1,780</u></u>
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The accompanying notes are a part of the financial statements.

Norwood Township

Fiduciary Fund Statement of Net Assets March 31, 2008

Assets

Cash

\$ 1,025

Liabilities

Due to other funds

\$ 1,025

The accompanying notes are a part of the financial statements.

Norwood Township

Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended March 31, 2008

Additions:

Property Tax Collections for:	
Primary government	\$ 115,823
Other governments	1,173,223
Interest income	<u>882</u>
Total additions	<u>1,289,928</u>

Deductions:

Property Tax Distributions for:	
Primary government	116,705
Other governments	<u>1,173,223</u>
Total distributions	<u>1,289,928</u>

Change in Net Assets	-
Fiduciary Net Assets - April 1, 2007	<u>-</u>
Fiduciary Net Assets - March 31, 2008	<u><u>\$ -</u></u>

The accompanying notes are a part of the financial statements.

Norwood Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Norwood Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Norwood Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 29, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Norwood Township

Notes To Financial Statements For The Year Ended March 31, 2008

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Fund – The Road and Emergency Funds were established to account for millage voted by the taxpayers that has been restricted for township road improvements and emergency services.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Norwood Township

Notes To Financial Statements For The Year Ended March 31, 2008

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents are comprised of the amount of funds in bank accounts.

Receivables and Payables

The activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings and improvements	40 years
Equipment	5 years
Land improvements	20 years

Long-term Obligations

As of March 31, 2008, the Township had no outstanding long-term debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Norwood Township

Notes To Financial Statements For The Year Ended March 31, 2008

Use of Estimates

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund. In addition, the Township Board must approve any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

Norwood Township

Notes To Financial Statements For The Year Ended March 31, 2008

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Norwood Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township did not incur expenditures in the General, Road or Emergency Funds in excess of the amounts appropriated.

Accumulated Fund Deficits

The Norwood Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2008.

NOTE 3 – PROPERTY TAXES

Property taxes are levied on July first and December first and are payable on September and February fourteenth, respectively. Property tax revenues are recognized when levied.

The Township levied .9573 mills for general operations, .9835 mills for road improvements, and .4917 for emergency services on state taxable valuation of \$45,252,010 on the 2007 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Norwood Township

Notes To Financial Statements For The Year Ended March 31, 2008

Deposits – At March 31, 2008, the carrying amount of the Township's deposits was \$357,748.

Federal Depository Insurance – Of the above balances, \$100,000 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$257,748 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances during the year. Subsequent to year end, federal depository insurance increased to \$250,000.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance of April 1, 2007	Additions	Disposal	Balance of March 31, 2008
Capital assets not being depreciated				
Land	\$ 17,094	-	-	\$ 17,094
Capital assets being depreciated				
Buildings and improvements	31,885	-	-	31,885
Land improvements	6,842	-	-	6,842
Equipment and furniture	1,762	-	-	1,762
Road signs	1,328	-	-	1,328
Total capital assets, being depreciated:	41,817	-	-	41,817
Less accumulated depreciation	(29,720)	(534)	-	(30,254)
Total capital assets	29,191	(534)	-	28,657

Depreciation expense was charged to the Township's functions as follows:

General government	<u>\$ 534</u>
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Norwood Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	Interfund Receivable	Interfund Payable
General fund	\$ 1,025	\$ -
Agency fund	-	1,025
Totals	<u>\$ 1,025</u>	<u>\$ 1,025</u>

NOTE 7 – FUND EQUITY RESERVATIONS AND DESIGNATIONS

The Road Fund has \$69,953 restricted for road improvements.

The Emergency Fund has \$23,201 restricted for emergency services.

NOTE 8 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township carries insurance for liability and workers compensation coverage.

Norwood Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	\$ 50,080	\$ 50,080	\$ 46,561	\$ (3,519)
Administrative fees	12,472	12,472	13,233	761
State shared revenues	40,933	48,717	49,124	407
Licenses and permits	4,820	4,820	2,990	(1,830)
Interest	11,166	11,166	10,890	(276)
Reimbursements	1,451	1,451	229	(1,222)
Other	1,894	1,894	2,939	1,045
Total revenues	122,816	130,600	125,966	(4,634)
Expenditures:				
Legislative				
Township Board				
Wages	3,500	3,500	2,875	(625)
Payroll taxes	2,400	2,400	2,670	270
Supplies	700	700	696	(4)
Board of appeals	1,650	1,650	1,110	(540)
Contracted services	3,000	3,000	-	(3,000)
Professional services	33,000	33,000	23,670	(9,330)
Dues and subscriptions	1,000	1,000	781	(219)
Worker's compensation	1,000	1,000	750	(250)
Insurance and unemployment	5,500	5,500	4,714	(786)
Other expenses	550	550	281	(269)
Contingency fund	268,220	268,220	-	(268,220)
Total legislative	320,520	320,520	37,547	(282,973)
General Government				
Township Supervisor				
Salaries and wages	5,400	5,400	5,063	(337)
Other expenses	1,200	1,200	607	(593)
Total township supervisor	6,600	6,600	5,670	(930)
Elections	2,450	2,450	450	(2,000)
Township Assessor				
Contracted services	6,767	6,767	6,767	-
Supplies	2,500	2,500	567	(1,933)
Total township assessor	9,267	9,267	7,334	(1,933)

Norwood Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Township Clerk				
Salary	7,500	7,500	7,500	-
Administrative assistant	1,000	1,000	1,040	40
Supplies	1,000	1,000	598	(402)
Other expenses	550	550	-	(550)
Total township clerk	10,050	10,050	9,138	(912)
Township Board of Review				
Wages	1,000	1,000	750	(250)
Other expenses	900	900	842	(58)
Total board of review	1,900	1,900	1,592	(308)
Township Treasurer				
Salary	7,000	7,000	7,000	-
Wages, deputy treasurer	1,000	1,000	-	(1,000)
Supplies	1,450	1,450	1,679	229
Professional services	800	800	698	(102)
Other expenses	550	550	-	(550)
Total township treasurer	10,800	10,800	9,377	(1,423)
Building and Grounds				
Wages	250	250	-	(250)
Utilities	1,900	1,900	1,518	(382)
Other expenses	200	200	473	273
Improvements	5,000	5,000	-	(5,000)
Total building and grounds	7,350	7,350	1,991	(5,359)
Cemetery				
Wages	2,500	2,500	1,959	(541)
Other expenses	250	250	-	(250)
Total cemetery	2,750	2,750	1,959	(791)
Total General Government	51,167	51,167	37,511	(13,656)
Public Safety				
Fire protection	-	-	772	772

Norwood Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Public Works				
Street lighting	1,200	1,200	814	(386)
Road improvements	5,000	5,000	-	(5,000)
Road maintenance	-	-	5,279	5,279
Total public works	6,200	6,200	6,093	(107)
Community and Economic Develop.				
Planning and Zoning				
Wages	14,400	14,400	17,228	2,828
Contracted services	5,000	5,000	2,155	(2,845)
Public notices	2,000	2,000	3,449	1,449
Supplies	1,300	1,300	890	(410)
Telephone	100	100	-	(100)
Travel	450	450	-	(450)
Education and training	4,200	4,200	377	(3,823)
Total Community and Economic Development	27,450	27,450	24,099	(3,351)
Recreation and Culture				
Township parks:				
Wages	500	500	-	(500)
Contracted services	1,200	1,200	1,533	333
Improvements	1,000	1,000	-	(1,000)
Total recreation and culture	2,700	2,700	1,533	(1,167)
Total expenditures	408,037	408,037	107,555	(300,482)
Net Change in Fund Balance	(285,221)	(277,437)	18,411	295,848
Fund Balance - April 1, 2007	256,800	256,800	256,800	-
Fund Balance - March 31, 2008	<u>\$ (28,421)</u>	<u>\$ (20,637)</u>	<u>\$ 275,211</u>	<u>\$ 295,848</u>

Norwood Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Road Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	\$ 38,394	\$ 38,394	\$ 46,177	\$ 7,783
Interest	-	-	2,440	2,440
Total revenues	38,394	38,394	48,617	10,223
Expenses:				
Public Works				
Road improvements	80,000	80,000	66,294	(13,706)
Net Change in Fund Balance	(41,606)	(41,606)	(17,677)	23,929
Fund Balance - April 1, 2007	87,630	87,630	87,630	-
Fund Balance - March 31, 2008	<u>\$ 46,024</u>	<u>\$ 46,024</u>	<u>\$ 69,953</u>	<u>\$ 23,929</u>

Norwood Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Emergency Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	\$ 19,192	\$ 19,192	\$ 23,085	\$ 3,893
Interest	-	-	349	349
Total revenues	19,192	19,192	23,434	4,242
Expenditures:				
Public Safety				
Fire protection	17,500	17,500	17,329	(171)
Health and Welfare				
Ambulance	4,500	4,500	4,525	25
Total expenditures	22,000	22,000	21,854	(146)
Net Change in Fund Balance	(2,808)	(2,808)	1,580	4,388
Fund Balance - April 1, 2007	21,621	21,621	21,621	-
Fund Balance - March 31, 2008	<u>\$ 18,813</u>	<u>\$ 18,813</u>	<u>\$ 23,201</u>	<u>\$ 4,388</u>

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
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November 28, 2008

To the Township Board
Norwood Township
Charlevoix, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwood Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Norwood Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Quarterly Financial Reports

The Township Board was not provided with quarterly financial reports, as required by the State of Michigan Accounting Manual. We recommend that the Township Clerk provide at least quarterly reports to the Township Board, for each fund, that would include a balance sheet and statement of revenues and expenses with budget to actual comparison. These reports will be useful in controlling the budget, as well as assisting with other necessary financial decisions.

Budget

The Township's taxpayers have approved taxes levied to provide emergency services and road improvements. These voted taxes are required to be reported in separate funds to account for these tax dollars that are earmarked for these purposes. In addition, separate budgets are required to be prepared and approved for these funds. The financial reporting does not separate these funds as required by government accounting standards. We recommend financial records and budgets be prepared by individual fund, to more clearly present the information and better facilitate comparisons to actual.

Preparation of Financial Statements

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and footnotes is the responsibility of management. Management is also responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements is based, in part, on its reliance on external auditors who cannot, by definition, be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


Mason & Kammermann, P.C.
Certified Public Accountants

MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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November 28, 2008

To the Board of Trustees
Norwood Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwood Township for the year ended March 31, 2008, and have issued our report thereon November 28, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Norwood Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial users.

Difficulties Encountered in Performing the Audit

We encountered the following difficulties in performing our audit, none of which we considered a reportable condition:

The chart of accounts, used to categorize revenues and expenses, has account numbers assigned for each category; however, many of the accounts have no account titles. This increases the likelihood a transaction could be recorded in the wrong account.

The Tax Fund activity is currently recorded as a part of the General Fund. This required significant audit adjustments to reclassify the taxes collected and taxes disbursed to a separate Tax Fund. The Tax Fund should be accounted for in a separate fund. In addition, within the Tax Fund, collections should be recorded as a liability or "Taxes Payable" and disbursements as satisfaction of the liability.

We recommend that the Township review their general ledger and chart of accounts and bring it into compliance with the accounting system prescribed by the State of Michigan. This review should establish separate accounting for each fund and should include account descriptions for each account within each fund.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were material, as described above, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2008.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Norwood Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Mason & Kammermann, P.C.".

Mason & Kammermann, P.C.
Certified Public Accountants